

**STATE OF SOUTH CAROLINA**

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

**June 30, 2007**

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

The Honorable Mark Sanford, Governor  
 and  
 Members of the General Assembly  
 State of South Carolina  
 Columbia, South Carolina

We have jointly audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements and have issued our report thereon dated November 15, 2007. We did not jointly audit the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as presented in the table below. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

	<b>Percentage audited by other auditor</b>	
	<b>Total Assets</b>	<b>Total Revenue</b>
<b><u>Government-wide</u></b>		
Governmental activities	65	19
Business-type activities	96	80
Component units	100	100
<b><u>Fund Statements</u></b>		
Governmental Funds	24	11
Enterprise Funds	96	80
Internal Service Funds	82	92
Fiduciary Funds	99	100

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State of South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State's financial statements that is more than inconsequential will not be prevented or detected by the State's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governor, members of the General Assembly, the governing body and management of State agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Columbia, South Carolina  
November 15, 2007



Baltimore, Maryland  
November 15, 2007

## **SUMMARY OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on the findings in the prior report on compliance and internal control over financial reporting at the basic financial statement level, dated November 21, 2006 to determine if the conditions still existed. Based on our audit procedures, we determined that the State has taken adequate corrective action on the identified deficiencies. Therefore, the following comments have not been repeated in this report:

- 06-01 Financial Reporting  
The School for the Deaf and the Blind
- 06-02 Financial Reporting  
Department of Corrections
- 06-03 Financial Reporting  
Department of Revenue
- 06-04 Information Technology Access Controls  
Medicaid Processing Support Services Provided by Clemson University
- 06-05 Information Technology Access Controls  
Medicaid Processing Support Services Provided by Clemson University
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Medicaid Processing Support Services Provided by Clemson University
- 06-07 Information Technology Access Controls  
Medicaid Processing Support Services Provided by Clemson University
- 06-08 Information Technology Access Controls  
Medicaid Processing Support Services Provided by Clemson University

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